

Message Text

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FOR THE SECRETARY AND SONNENFELDT FROM ROGERS

E.O. 11652: GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG,

SUBJECT: FOUR WAY MEETING ON EAST-WEST ECONOMIC
RELATIONS

1. SUMMARY: I MET PRIVATELY AND AT SOME LENGTH WITH
FROMENT-MEURICE (GOF), STATHAM (UI) AND LAUTENSCHLAGER
(FRG) TODAY, TO CARRY FORWRD THE EAST-WEST
DISCUSSION. WE BROKE THE ICE. THEY AGREE
THE ISSUE DESERVES OUR JOINT CONSIDERATION AND ARE
WILLING TO MEET FURTHER.

2. I STRESSED, ALONG THE LINES OF THE TALKING POINTS
WE WORKED OUT LAST WEEK IN WASHINGTON, (1) THAT THE
U.S. INITIATIVE TO RAISE THE MATTER WAS NOT IN ORDER
TO MANIPULATE EAST-WEST ECONOMIC RELATIONSHIPS FOR
SHORT-RUN OR TACTICAL POLITICAL PURPOSES, (2) THAT
OUR RESPECTIVE TRADE TIES WITH THE EAST CAN AND
SHOULD GROW, (3) THAT SUCH EXPANSION PRESENTS US
WITH OPPORTUNITIES WHICH ARE NOT WITHOUT LIMITATIONS
IN TERMS OF LEVERAGE, (4) THAT THE REAL QUESTION IS
HOW TO CONSTRUCT AND MANAGE THE OVER-ALL RELATIONSHIP
BETWEEN THESE TWO DISTINCT GROUPINGS OF COUNTRIES IN
A WAY THAT WILL ENHANCE WORLD ORDER, ENCOURAGE
DECENT BEHAVIOR AS A CONSISTENT AND COHERENT
PRACTICE EVERYWHERE AND PREVENT THE OTHER SIDE FROM
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PLAYING ONE COUNTRY OFF AGAINST ANOTHER. I CONCLUDED

THAT, IN ORDER TO DO THIS, WE FOUR FIRST NEEDED A COMMON PERCEPTION OF OUR EXISTING ECONOMIC RELATIONSHIP WITH THE EAST. THIS WAS THE PURPOSE OF THE OECD STUDY WE HAD REQUESTED. I NOTED WE WOULD BE CONTRIBUTING DATA TO THE OECD STUDY AND I SUGGESTED THAT THE OTHERS SHOULD DO LIKEWISE.

3. THE OECD EFFORT, HOWEVER, I SAID, WOULD NECESSARILY FALL SHORT OF A FULL AND COMPLETE ANALYSIS OF ALL DIMENSIONS, POLITICAL AS WELL AS ECONOMIC, OF THE EAST-WEST RELATIONSHIP. WE FOUR ARE KEY TO THAT RELATIONSHIP. THEREFORE, I SUGGESTED THAT WE CONSULT TOGETHER, LOOK AT SOME ASPECTS OF THE MATTER MORE CANDIDLY THAN WE COULD IN OECD AND SPECIFICALLY THAT WE ALL MEET AGAIN INFORMALLY IN SEPTEMBER BEFORE THE XCSS. IN THE INTERIM THE GOUS MIGHT CIRCULATE A MORE COMPLETE PAPER THAN THE ONE WE ARE PREPARING FOR OECD, TOUCHING ON TRADE, DEBT, FOOD AND ENERGY AND SETTING DOWN SOME OF THE EMERGING OPTIONS FOR POLICY WHICH THE INDUSTRIALIZED DEMOCRACIES MIGHT LOOK AT.

4. THE THREE AGREED THAT THE CHANGING EAST-WEST ECONOMIC RELATIONSHIP DESERVED OUR COLLEGIATE ATTENTION. ALL STRESSED THE NEED NOT TO PREJUDGE THE OECD STUDY. THEIR COMMENTS BEYOND THAT WERE SOMEWHAT RESERVED; NONE HAVE THOUGHT THE ISSUE THROUGH. STATHAM SAID THAT IF THE EXPANSION OF EASTERN DEBT COULD BE DESCRIBED AS QTE DANGEROUS UNQTE THIS DANGER WAS MORE LATENT THAN IMMEDIATE. LAUTENSCHLAGER AGREED THAT AN EYE HAD TO BE KEPT ON THE PACE OF EXPANSION IN DEBT; THE CRUCIAL MOMENT WOULD BE WHEN PRIVATE BAKS BEGIN TO CONSTRICT NEW CREDITS AND ASK FOR GOVERNMENT GUARANTEES. THE GERMAN AMBASSADORS TO EAST-EUROPEAN COUNTRIES HAD RECENTLY DISCUSSED THE POSSIBILITY OF LINKING ECONOMIC AND POLITICAL CONCESSIONS, HE SAID; THE GENERAL VIEW WAS THAT IT WAS IMPOSSIBLE, AT LEAST ON ANY MATTERS OF PRINCIPLE TO THE SOVIET UNION. ON THE OTHER HAND, BARGAINING ON LIMITED, SPECIFIC ISSUES OF PRAGMATIC INTEREST TO BOTH SIDES

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MIGHT WORK SOMETIMES, THEY THOUGHT.

5. FROMENT-MEURICE WAS THE MOST RELUCTANT TO TALK SUBSTANCE. HIS GOVERNMENT HAD ACCEPTED OUR INITIATIVE WITH RESERVE. HE AGREED THAT TRADE AND EASTERN DEBT WERE EXPANDING RAPIDLY, BUT THE SOVIETS HAD A GOOD PAYMENT RECORD, AND, IN ALL EVENTS AS FAR AS FRANCE WAS CONCERNED, ITS EAST TRADE WAS NOT GROWING ANY MORE

RAPIDLY THAN THE TOTAL. HE STRESSED THAT THERE WAS DANGER IN EMPHASIZING A BLOC TO BLOCK ECONOMIC RELATIONSHIP. AND HE UNDERScoreD THAT ECONOMIC EXPANSION CAN BE A POSITIVE ELEMENT IN DETENTE.

6. I AGREED. BUT I SUGGESTED THE ISSUES WERE BROADER THAN A COLLATION OF POTENTIAL WESTERN ECONOMIC PENALTIES FOR EASTERN POLITICAL MISBEHAVIOR. WE NEEDED ALSO TO CONSIDER (1) THE FUTURE RELATIONSHIPS OF THE NON-MARKET ECONOMIES TO THE NORTH-SOUTH QUESTION, (2) THEIR FUTURE TIES TO MULTILATERAL ECONOMIC INSTITUTIONS SUCH AS THE IBRD AND GATT, (3) THE EXTENT TO WHICH, WITH THE GROWTH OF TRADE AND DEBT, THE WEST MIGHT BE GIVING UP HOSTAGES TO SOVIET POLITICAL INTERESTS AND SO FORTH.

7. WE AGREED TO MEET INFORMALLY, WITHOUT COMMITMENT IN SEPTEMBER PRIOR TO THE XCSS. I PROMISED MEANWHILE TO SEND THEM SOMETHING.

8. ONLY SORENSON AND I ATTENDED THIS MEETING OR ARE AWARE OF IT, AND I ASSURED THE THREE THAT IT WOULD BE KNOWN BY FEW IN WASHINGTON.
TURNER

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